

AUDIT REPORT

TOWN OF HAWORTH, OKLAHOMA

JUNE 30, 2013



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF HAWORTH, OKLAHOMA  
JUNE 30, 2013

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TOWN OF HAWORTH, OKLAHOMA  
JUNE 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Haworth, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Haworth, Oklahoma, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

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accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Haworth, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

The supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2013, on our consideration of the Town of Haworth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Haworth's internal control over financial reporting and compliance.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified

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cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

November 4, 2013

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2013 Total</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 48,898	\$ 63,964	\$ 112,862
Investments	-	-	-
<b>Total Current Assets</b>	<b>48,898</b>	<b>63,964</b>	<b>112,862</b>
<b><u>Other Assets:</u></b>			
Cash and cash equivalents - Restricted	-	28,330	28,330
<b>Total Other Assets</b>	<b>-</b>	<b>28,330</b>	<b>28,330</b>
<b><u>Capital Assets:</u></b>			
Land	-	42,950	42,950
Capital Assets, net of Accum. Depreciation	532,706	1,022,633	1,555,339
<b>Total Capital Assets</b>	<b>532,706</b>	<b>1,065,583</b>	<b>1,598,289</b>
<b>TOTAL ASSETS</b>	<b>581,604</b>	<b>1,157,878</b>	<b>1,739,482</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	3,305	13,689	16,994
Customer Deposits	-	11,821	11,821
<b>Total Current Liabilities</b>	<b>3,305</b>	<b>25,510</b>	<b>28,815</b>
<b><u>Long-Term Liabilities:</u></b>			
Capital Debt Obligations	3,305	-	3,305
Notes Payable - USDA RD	-	258,997	258,997
Less: Current Portion of Long-Term Debt	(3,305)	(13,689)	(16,994)
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>245,308</b>	<b>245,308</b>
<b>TOTAL LIABILITIES</b>	<b>3,305</b>	<b>270,818</b>	<b>274,123</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	529,401	806,586	1,335,987
Restricted for:			
Debt Service	-	28,330	28,330
Other Purposes	-	-	-
Unrestricted	48,898	52,144	101,042
<b>TOTAL NET POSITION</b>	<b>\$ 578,299</b>	<b>\$ 887,061</b>	<b>\$ 1,465,360</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General Government	\$ 144,726	\$ -	\$ 33,642	\$ -	\$ (111,084)
Public Safety	49,949	29,530	-	-	(20,419)
Highways & Streets	2,761	-	-	-	(2,761)
Debt Service - Interest Expense	110	-	-	-	(110)
Total Governmental Activities	<u>197,546</u>	<u>29,530</u>	<u>33,642</u>	<u>-</u>	<u>(134,374)</u>
<b>Business-type activities:</b>					
Water	61,836	53,259	-	-	(8,577)
Sewer	22,035	31,679	-	-	9,644
Sanitation	-	4,222	-	-	4,222
Misc. Other Business Activities	33,269	6,821	-	-	(26,448)
Total Business-type Activities	<u>117,140</u>	<u>95,981</u>	<u>-</u>	<u>-</u>	<u>(21,160)</u>
<b>Total</b>	<u>\$ 314,686</u>	<u>\$ 125,511</u>	<u>\$ 33,642</u>	<u>\$ -</u>	<u>\$ (155,534)</u>

## Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (134,374)	\$ (21,160)	\$ (155,534)
<b>General revenues:</b>			
Taxes:			
Sales Tax	39,367	-	39,367
Cigar Tax	501	-	501
Franchise Tax	6,097	-	6,097
Intergovernmental:			
Motor Vehicle Tax	2,013	-	2,013
Alcoholic Beverage Tax	4,748	-	4,748
Gasoline Excise Tax	547	-	547
Licenses & Permits	150	-	150
Miscellaneous Income	8,953	-	8,953
Interest Income	43	197	240
Transfers - Internal Activity	(981)	981	-
Total general revenues & transfers	<u>61,438</u>	<u>1,178</u>	<u>62,617</u>
Changes in net position	(72,936)	(19,981)	(92,917)
Net position - beginning	651,234	907,042	1,558,276
Net position - prior year adjustment	-	-	-
Net position - ending	<u>\$ 578,299</u>	<u>\$ 887,061</u>	<u>\$ 1,465,360</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



**TOWN OF HAWORTH, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Senior Citizens Center</u>	<u>Police Dept.</u>	<u>Special Projects- CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 32,360	\$ 9,913	\$ 1,197	\$ 142	\$ 5,286	\$ 48,898
Investments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 32,360</u>	<u>\$ 9,913</u>	<u>\$ 1,197</u>	<u>\$ 142</u>	<u>\$ 5,286</u>	<u>\$ 48,898</u>
<b>LIABILITIES &amp; FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	4,348	4,348
Committed	-	-	-	-	-	-
Assigned	-	9,913	1,197	142	938	12,190
Unassigned	32,360	-	-	-	-	32,360
<b>TOTAL FUND BALANCES</b>	<u>32,360</u>	<u>9,913</u>	<u>1,197</u>	<u>142</u>	<u>5,286</u>	<u>48,898</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 32,360</u>	<u>\$ 9,913</u>	<u>\$ 1,197</u>	<u>\$ 142</u>	<u>\$ 5,286</u>	

**Reconciliation to Statement of Net Position:**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$991,254.95, net of accumulated depreciation of \$458,549.15, are not financial resources and, therefore, are not reported in the funds.	532,706
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,305)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 578,299</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Senior Citizens Center	Police Dept.	Special Projects- CDBG	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes:						
Sales Tax	\$ 39,367	\$ -	\$ -	\$ -	\$ -	39,367
Cigar Tax	501	-	-	-	-	501
Franchise Tax	6,097	-	-	-	-	6,097
Intergovernmental:						
Motor Vehicle Tax	-	-	-	-	2,013	2,013
Alcoholic Beverage Tax	4,748	-	-	-	-	4,748
Gasoline Excise Tax	-	-	-	-	547	547
Grants	-	12,513	-	21,129	-	33,642
Fines & Forfeitures	-	-	29,530	-	-	29,530
Licenses & Permits	150	-	-	-	-	150
Miscellaneous Income	1,049	5,860	-	-	2,044	8,953
Interest Income	31	-	-	7	4	43
<b>TOTAL REVENUES</b>	<b>51,944</b>	<b>18,373</b>	<b>29,530</b>	<b>21,136</b>	<b>4,608</b>	<b>125,591</b>
<b>EXPENDITURES:</b>						
General Government	48,491	17,546	-	25,997	1,222	93,257
Public Safety	-	-	48,540	-	1,409	49,949
Highways & Streets	-	-	-	-	2,761	2,761
Debt Service	-	-	2,838	-	-	2,838
Capital Outlay	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>48,491</b>	<b>17,546</b>	<b>51,378</b>	<b>25,997</b>	<b>5,392</b>	<b>148,805</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,453</b>	<b>827</b>	<b>(21,848)</b>	<b>(4,861)</b>	<b>(784)</b>	<b>(23,214)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	5,251	-	250	4,868	200	10,569
Operating Transfers Out	(11,550)	-	-	-	-	(11,550)
Capital Debt Proceeds	-	-	6,033	-	-	6,033
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,299)</b>	<b>-</b>	<b>6,283</b>	<b>4,868</b>	<b>200</b>	<b>5,052</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(2,846)</b>	<b>827</b>	<b>(15,565)</b>	<b>7</b>	<b>(584)</b>	<b>(18,161)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>35,206</b>	<b>9,086</b>	<b>16,762</b>	<b>135</b>	<b>5,871</b>	<b>67,059</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 32,360</b>	<b>\$ 9,913</b>	<b>\$ 1,197</b>	<b>\$ 142</b>	<b>\$ 5,286</b>	<b>48,898</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Reconciliation to Statement of Activities:**

Net change in fund balances - total governmental funds	\$	(18,161)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital debt obligation principal payments		2,728
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Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

Capital Debt Proceeds		(6,033)
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		-
Depreciation expense		(51,469)

	\$	(72,936)
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA  
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 PROPRIETARY FUND  
 JUNE 30, 2013

	Haworth Public Works Authority Enterprise Fund	
	June 30, 2013	Memo Only June 30, 2012
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 63,964	\$ 63,859
Accounts Receivable	-	-
Total Current Assets	63,964	63,859
Noncurrent Assets:		
Restricted cash and investments	28,330	28,109
Land	42,950	42,950
Other capital assets, net of accumulated depreciation	1,022,633	1,055,902
Total Noncurrent Assets	1,093,914	1,126,961
<b>TOTAL ASSETS</b>	<b>1,157,878</b>	<b>1,190,820</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>		
Current Liabilities:		
Current Portion of Long-Term Debt	13,689	13,105
Customer Deposits	11,821	11,676
Total Current Liabilities	25,510	24,781
Noncurrent Liabilities:		
Notes Payable - USDA RD	258,997	272,102
Less: Current Portion of Long-Term Debt	(13,689)	(13,105)
Total Noncurrent Liabilities	245,308	258,997
<b>TOTAL LIABILITIES</b>	<b>270,818</b>	<b>283,778</b>
<b>NET POSITION:</b>		
Net investment in capital assets	806,586	826,751
Restricted for debt service	28,330	28,109
Unrestricted	52,144	52,183
<b>TOTAL NET POSITION</b>	<b>\$ 887,061</b>	<b>\$ 907,042</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

## EXHIBIT F

**TOWN OF HAWORTH, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Haworth Public  
Works Authority  
Enterprise Fund**

	<u>June 30, 2013</u>	<u>Memo Only June 30, 2012</u>
<b><u>OPERATING REVENUES:</u></b>		
Charges for services:		
Water	\$ 53,259	\$ 54,138
Sewer	31,679	30,922
Sanitation	4,222	4,159
Volunteer Fire Department	1,392	1,369
Late/connect/reconnect fees	4,703	3,358
Miscellaneous Income	726	-
<b>TOTAL OPERATING REVENUES</b>	<u>95,981</u>	<u>93,945</u>
<b><u>OPERATING EXPENSES:</u></b>		
Water Purchases	20,689	22,899
Personal Services - Water	23,526	23,349
Personal Services - Sewer	5,000	5,000
Maintenance & Operations - Water	17,621	20,620
Maintenance & Operations - Sewer	8,000	8,000
Depreciation	33,269	33,669
<b>TOTAL OPERATING EXPENSES</b>	<u>108,105</u>	<u>113,538</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>(12,124)</u>	<u>(19,592)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	197	279
Interest Expense	(9,035)	(9,593)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(8,838)</u>	<u>(9,314)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<u>(20,962)</u>	<u>(28,907)</u>
Capital Contributions	-	-
Transfers in	11,350	8,660
Transfers out	(10,369)	(4,533)
<b>CHANGE IN NET POSITION</b>	<u>(19,981)</u>	<u>(24,780)</u>
<b>TOTAL NET POSITION - BEGINNING</b>	907,042	931,822
<b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>	-	-
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 887,061</u></u>	<u><u>\$ 907,042</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

## EXHIBIT G

TOWN OF HAWORTH, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2013	Memo Only 2012
<b><u>Cash Flows from Operating Activities:</u></b>		
Cash Receipts from Customers	\$ 95,981	\$ 93,945
Payments to Suppliers, Employees & Laborers	(74,836)	(79,869)
Receipts of Customer Utility Deposits, Net of Refunds	144	130
Net Cash Provided (Used) by Operating Activities	<u>21,289</u>	<u>14,207</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>		
Operating Transfers in	11,350	8,660
Operating Transfers Out	(10,369)	(4,533)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>981</u>	<u>4,127</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	-	-
Capital Contributions	-	-
Loan Proceeds received	-	-
Principal paid on Notes	(13,105)	(12,547)
Interest paid on Notes	(9,035)	(9,593)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(22,140)</u>	<u>(22,140)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Interest Income	197	279
Net Cash Provided (Used) by Investing Activities	<u>197</u>	<u>279</u>
Net Increase (Decrease) in Cash and Cash Equivalents	327	(3,527)
Cash & Cash Equivalents, Beginning of Year	91,968	95,495
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u>\$ 92,295</u>	<u>\$ 91,968</u>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ (12,124)	\$ (19,592)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation Expense	33,269	33,669
(Increase)Decrease in Accounts Receivable	-	-
Increase(Decrease) in Accounts Payable	-	-
Increase(Decrease) in Customer Deposits	144	130
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,289</u>	<u>\$ 14,207</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Haworth
Blended Component Units:	Haworth Public Works Authority (HPWA)

PRIMARY GOVERNMENT

The Town of Haworth, Oklahoma is a "Statutory Town Government" under Title 11 of the Oklahoma Statutes.

The Town provides the following services: public safety (fire and police), streets and highways, public improvements, planning and zoning and general administrative services. The Haworth Public Works Authority (Enterprise Fund) provides water, sewer and sanitation services. The Haworth Public Works Authority (the PWA) is a public trust created under the authority of Title 60 Oklahoma Statutes.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit;

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements: Haworth Public Works Authority. The HPWA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund types and two generic categories as follows:



TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Governmental Fund Types

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds.

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.
Sr. Citizens Fund	Accounts for revenues and expenditures of various nutrition grants per grant agreement requirements.
Police Dept. Fund	Accounts for revenues and expenditures of police operations.
Volunteer Fire Dept. Fund	Accounts for revenues and expenditures of Fire Department activities.
Cemetery Fund	Accounts for cemetery revenues that are legally restricted for cemetery use.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Special Projects Fund	Accounts for revenues and expenditures of a State Department of Commerce Grant per the grant agreement.
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Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for the acquisition, operation and maintenance of Town facilities which are financed primarily by user charges. The Enterprise funds are accounted for similar to activities of the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Haworth Public Works Authority is accounted for as the Town's Enterprise Fund.

Haworth Public Works Authority	Accounts for the activities of the public trust in providing water, sewer and sanitation services to the public.
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B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

C. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED ASSETS

Under the terms of the loan agreement with USDA Rural Development, the Haworth Public Works Authority must maintain certain "funds" in restricted accounts. These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts, they merely represent mandatory asset segregation.

BUDGET

In accordance with Oklahoma Statutes, Title 68, the Town Council is required to formally adopt annual budgets, which include substantially all general funds. These required annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

CAPITAL ASSETS

The capitalization threshold has been set at \$500.00. Assets purchased by the Town or PWA are recorded as assets at cost or if contributed property at the estimated fair market value at the time of contribution. Repairs and maintenance cost are recorded as expenses. The sale or disposition of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Assets are depreciated over their useful lives of 5 to 50 years using the straight-line method.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

COMPENSATED ABSENCES AND FRINGE BENEFITS

Governmental Generally Accepted Accounting Principles require the recording of an expenditure and the accrual of a liability for future vacation, sick pay, and other leave benefits for employee services already rendered, related to rights that vest, if the payment of compensation is probable and the amount of benefits can be reasonably estimated.

The Town's financial statements have been prepared on the modified cash basis and benefit cost (if any) are recognized when the benefits are paid. An accrued liability for benefits has not been recognized or reported in the financial statements.

EQUITY CLASSIFICATION

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Projects - CDBG	Department of Commerce CDBG Grant Income
Senior Citizens	Grant Income Donations
Police Department	Fine and forfeitures Grant Income

REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission.

Property Tax

For the year ended June 30, 2013, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Enterprise Fund Revenues

Revenues consist of sales of water, sewer, and sanitation services to individuals, business owners, and others within the Town corporate limits and nearby area.

ESTIMATES

The preparation of financial statements, in conformity with the modified cash basis of accounting, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

MEMORANDUM ONLY

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Authority for this fiscal year.

Excess of Expenditures Over Appropriations

The Town's total charges to appropriations did not exceed budgeted amounts.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2013, the Town held deposits of approximately \$141,192 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.



TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school Town tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school Town.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Governmental Fund Type, resulting from the modified cash transactions, for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities:

	Balance 7/1/12	Additions	Deductions	Balance 6/30/13
Buildings	\$ 487,536	\$ -	\$ -	\$ 487,536
Improvements	2,800	-	-	2,800
Machinery & Equipment	500,919	-	-	500,919
Total capital assets at cost	991,255	-	-	991,255
Less: Accum. Depreciation for:				
Buildings	219,392	24,377	-	243,768
Improvements	2,380	280	-	2,660
Machinery & Equipment	185,308	26,812	-	212,121
Total Accumulated Depreciation	407,080	51,469	-	458,549
Governmental Activities				
Capital Assets, Net	<u>\$ 584,175</u>	<u>\$ (51,469)</u>	<u>\$ -</u>	<u>\$ 532,706</u>

Capital asset activity for the Proprietary Fund Type, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2013, was as follows:

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Business-type Activities:

	Balance 7/1/12	Additions	Deductions	Balance 6/30/13
Capital assets not being depreciated:				
Land	\$ 42,950	\$ -	\$ -	\$ 42,950
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>42,950</u>	<u>-</u>	<u>-</u>	<u>42,950</u>
Other capital assets:				
Utility property & improvements	816,310	-	-	816,310
Lagoon	816,692	-	-	816,692
Vehicles	14,000	-	-	14,000
Machinery & Equipment	6,022	-	-	6,022
Total depreciable capital assets	<u>1,653,024</u>	<u>-</u>	<u>-</u>	<u>1,653,024</u>
Less: Accum. Depreciation for:				
Utility property & improvements	456,753	16,685	-	473,438
Lagoon	122,222	16,334	-	138,556
Vehicles	14,000	-	-	14,000
Machinery & Equipment	4,147	250	-	4,397
Total Accumulated Depreciation	<u>597,122</u>	<u>33,269</u>	<u>-</u>	<u>630,391</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,098,852</u>	<u>\$ (33,269)</u>	<u>\$ -</u>	<u>\$ 1,065,583</u>

Depreciation expense for the year ended June 30, 2013, aggregating \$33,269, has been computed on assets with a cost basis totaling \$1,653,024. There were no current year additions.

NOTE 5 - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

Capital Lease Payable

Capital lease payable to McCurtain County National Bank for police equipment requiring monthly payments of principal and interest in the amount of \$258.02. Collateral for this obligation is the equipment purchased.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Changes in Long-Term Debt

The following is a summary of changes in capital debt obligations for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
MCNB #1	\$ -	\$ 6,033.00	\$ (2,728.04)	\$ 3,304.96
Total Long-Term	\$ -	\$ 6,033.00	\$ (2,728.04)	\$ 3,304.96

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Annual Payment
2014	\$ 3,305	\$ 83	\$ 3,388
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
Total	\$ 3,305	\$ 83	\$ 3,388

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUND - HAWORTH PUBLIC WORKS AUTHORITY

The Authority has a note payable (Note 92-02) dated September 30, 1991 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$786 until maturity, including interest at 5.0%. The original amount of the loan was \$160,000.00. The note is secured by a mortgage on the Authority's sewer system including all real and personal property and including the revenues and profits from the operations of the system.

The Authority has a note payable (Note 92-03) dated December 15, 1999 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$1,059 until maturity, including interest at 3.25%. The original amount of the loan was \$280,000.00. The note is secured by a mortgage on the Authority's sewer system including all real and personal property and including the revenues and profits from the operations of the system.

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
USDA RD Note 92-02	\$ 25,787.32	\$ -	\$ (8,331.46)	\$ 17,455.86
USDA RD Note 92-03	246,314.43	-	(4,773.14)	241,541.29
Total Long-Term Debt	<u>\$ 272,101.75</u>	<u>\$ -</u>	<u>\$ (13,104.60)</u>	<u>\$ 258,997.15</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2013, are as follows:

	USDA RD Note 92-02			USDA RD Note 92-03		
Year Ended June 30,	Principal	Interest	Annual Payment	Principal	Interest	Annual Payment
2014	\$ 8,758	\$ 674	\$ 9,432	\$ 4,931	\$ 7,777	12,708
2015	8,698	225	8,923	5,094	7,614	12,708
2016	-	-	-	5,262	7,446	12,708
2017	-	-	-	5,435	7,273	12,708
2018	-	-	-	5,615	7,093	12,708
2019-2023	-	-	-	30,976	32,564	63,540
2024-2028	-	-	-	36,434	27,106	63,540
2029-2033	-	-	-	42,853	20,687	63,540
2034-2038	-	-	-	50,403	13,137	63,540
2039-2043	-	-	-	54,539	4,279	58,817
Total	<u>\$ 17,456</u>	<u>\$ 899</u>	<u>\$ 18,355</u>	<u>\$ 241,541</u>	<u>\$ 134,977</u>	<u>\$ 376,517</u>

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 6 - INTERFUND TRANSFERS

The interfund transactions for the year were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Special Revenue	200	-
Haworth PWA	11,350	5,251
Haworth Public Works Authority:		
General Fund	5,251	11,350
Special Revenue Fund	5,118	-
Special Revenue:		
General Fund	-	200
Haworth Public Works Authority	-	5,118
Total All Funds	<u>21,919</u>	<u>21,919</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The restricted amounts are described in Note 1 above.

Fund Balances

Town of Haworth  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2013

	General Fund	Senior Citizens Center	Police Dept.	Special Projects- CDBG	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>						
Restricted for:						
Road Maintenance	\$ -	\$ -	\$ -	\$ -	\$ 4,348	\$ 4,348
Assigned to:						
Senior Citizens	-	9,913	-	-	-	9,913
Police Fund	-	-	1,197	-	-	1,197
CDBG Fund	-	-	-	142	-	142
Fire Dept Fund	-	-	-	-	750	750
Cemetery Fund	-	-	-	-	188	188
Unassigned	32,360	-	-	-	-	32,360
Total	<u>\$ 32,360</u>	<u>\$ 9,913</u>	<u>\$ 1,197</u>	<u>\$ 142</u>	<u>\$ 5,286</u>	<u>\$ 48,898</u>

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 8 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

The Town participates in certain federal and state grant programs as available; currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

LITIGATION

The Town has no known pending claims or lawsuits against it as of June 30, 2013. In the event that the Town is held liable for damages in any lawsuits that arise, the resulting judgments will be paid from ad valorem taxes levied over a three (3) year period through the Town's Debt Service Fund.

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 4, 2013, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

TOWN OF HAWORTH, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 35,206	\$ 35,206	\$ 35,206	\$ -
<b><u>Resources (Inflows):</u></b>				
Taxes:				
Sales Tax	26,865	26,865	39,367	12,502
Cigar Tax	413	413	501	88
Franchise Tax	17,634	17,634	6,097	(11,538)
Intergovernmental:				
Motor Vehicle Tax	-	-	-	-
Alcoholic Beverage Tax	4,250	4,250	4,748	498
Gasoline Excise Tax	-	-	-	-
Grants	-	-	-	-
Fines & Forfeitures	-	-	-	-
Licenses & Permits	135	135	150	15
Miscellaneous Income	2,791	2,791	1,049	(1,742)
Interest Income	25	25	31	6
Operating Transfers In	4,849	4,849	5,251	402
Amounts available for appropriation	92,169	92,169	92,401	232
<b><u>Charges to Appropriations (Outflows):</u></b>				
General Government	80,169	80,169	48,491	31,678
Public Safety	-	-	-	-
Highways & Streets	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	2,000	2,000	-	2,000
Operating Transfers Out	10,000	10,000	11,550	(1,550)
Total Charges to Appropriations	92,169	92,169	60,041	32,128
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	-	-	32,360	32,360

TOWN OF HAWORTH, OKLAHOMA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2013

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

Unaudited



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Town of Haworth, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haworth, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Haworth, Oklahoma's basic financial statements, and have issued our report thereon dated November 4, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Haworth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Haworth's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Haworth's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

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weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 13-01.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Haworth's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Town of Haworth's Response to Findings

Town of Haworth's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Haworth's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

November 4, 2013

TOWN OF HAWORTH, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2013

INTERNAL CONTROL FINDINGS

Item 13-01 - Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

## EXHIBIT I

TOWN OF HAWORTH, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Volunteer Fire Department	Cemetery Fund	Street & Alley Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 750	\$ 188	\$ 4,348	\$ 5,286
Investments	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 750</u>	<u>\$ 188</u>	<u>\$ 4,348</u>	<u>\$ 5,286</u>
<b>LIABILITIES &amp; FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	4,348	4,348
Committed	-	-	-	-
Assigned	750	188	-	938
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>750</u>	<u>188</u>	<u>4,348</u>	<u>5,286</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 750</u>	<u>\$ 188</u>	<u>\$ 4,348</u>	<u>\$ 5,286</u>

## EXHIBIT J

**TOWN OF HAWORTH, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Volunteer Fire Department</u>	<u>Cemetery Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>REVENUES:</u></b>				
Taxes:				
Sales Tax	\$ -	\$ -	\$ -	\$ -
Franchise Tax	-	-	-	-
Intergovernmental:				
Motor Vehicle Tax	-	-	2,013	2,013
Gasoline Excise Tax	-	-	547	547
Grants	-	-	-	-
Fines & Forfeitures	-	-	-	-
Miscellaneous Income	1,879	165	-	2,044
Interest Income	-	-	4	4
<b>TOTAL REVENUES</b>	<b>1,879</b>	<b>165</b>	<b>2,564</b>	<b>4,608</b>
<b><u>EXPENDITURES:</u></b>				
General Government	-	1,222	-	1,222
Public Safety	1,409	-	-	1,409
Highways & Streets	-	-	2,761	2,761
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,409</b>	<b>1,222</b>	<b>2,761</b>	<b>5,392</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>469</b>	<b>(1,057)</b>	<b>(197)</b>	<b>(784)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In	-	200	-	200
Operating Transfers Out	-	-	-	-
Capital Debt Proceeds	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>200</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>469</b>	<b>(857)</b>	<b>(197)</b>	<b>(584)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>281</b>	<b>1,045</b>	<b>4,545</b>	<b>5,871</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 750</b>	<b>\$ 188</b>	<b>\$ 4,348</b>	<b>\$ 5,286</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements